



RECLAIM INDUSTRIES LIMITED

ACN 090 671 819

Half-year financial report for the half-year ended 31 December 2011



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Directors	Ms Jennifer King (resigned 12 April 2012) Mr John Crosby (resigned 13 March 2012) Mr Stephen Hewitt-Dutton (appointed 13 March 2012) Mr KC Ong (appointed 13 March 2012) Mr Bruce Franzen (appointed 13 March 2012)
Company Secretary	Miss Deborah Ho
Registered Office	Level 14, 45 William Street MELBOURNE VIC 3000
Share Registry	Security Transfer Registrars Pty Limited 770 Canning Highway, APPLECROSS WA 6153 Telephone: (08) 9315 2333 Facsimile: (08) 9315 2233
Website	www.reclaimindustries.com.au
Place of Incorporation	Western Australia
Principal Place of Business	Level 24, 44 St Georges Terrace PERTH WA 6000 Telephone: (08) 6211 5099 Facsimile: (08) 9218 8875
Auditors	Deloitte Touche Tohmatsu Level 17, 11 Waymouth Street, ADELAIDE SA 5000 Telephone: (08) 8407 7000 Facsimile: (08) 8407 7001
Solicitors	Price Sierakowski Corporate Level 24, 44 St Georges Terrace PERTH WA 6000
Banker	National Australia Bank Limited Ground Floor, 100 St Georges Terrace PERTH WA 6000
Stock Exchange	ASX Limited Exchange Plaza, 2 The Esplanade PERTH WA 6000
ASX Code	RCM

Directors' report

The directors of Reclaim Industries Limited submit herewith the half-year financial report of Reclaim Industries Limited and its subsidiaries (the Group) for the half-year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

These Financial Statements cover the half year ended 31 December 2010. On 17 February 2011, a creditor appointed David Ross, Richard Albarran and Blair Pleash of Hall Chadwick Chartered Accountants as Joint and Several Administrators of the Company. On 24 March 2011, a meeting of the Company's Creditors was convened pursuant to Section 439A of the Corporations Act 2001 to consider, amongst other matters, the execution of a Deed of Company Arrangement (DOCA) which had the effect of extinguishing the current debts and to reconstruct and recapitalise the Company. At the meeting, the Creditors resolved that the Company should enter into a DOCA and the DOCA was subsequently executed on 14 April 2011 between the Administrators and Trident Capital Pty Ltd. The DOCA releases and discharges Reclaim Industries Limited of all claims by Creditors. These Half-Year Financial Statements report results and a financial position that is not representative of the position of the Company following completion of the recapitalisation and should not be used as the basis for any decision about the Company or its prospects.

Directors

The names of the directors of the company during or since the end of the half-year are:

Name

- Jennifer King - Resigned 12th April 2012
- John Crosby - Resigned 13th March 2012
- Stephen Hewitt-Dutton - Appointed 13th March 2012
- KC Ong - Appointed 13th March 2012
- Bruce Franzen - Appointed 13th March 2012

Company Secretary

- Ms Paige Exley - Appointed 13th March 2012 – Resigned 7th November 2012
- Miss Deborah Ho - Appointed 7th November 2012

Principal Activities

Prior to going into Administration on 17 February 2011, the Group's principal activities were rubber recycling and manufacturing to convert used rubber tyres into commercially attractive surfacing, moulded and granule products for a wide range of industries in both domestic and international markets. There was no trading activity during this half year.

Operating Results

The loss after tax of the consolidated entity for the half year ended 31 December 2011 was \$41,119 (2010: loss \$742,300)

Preparation of Financial Statements

The financial report has been prepared after consideration and evaluation of the information available, having regard to the following events:

- On 17 February 2011, the company was placed into administration by a creditor (refer also "Review of Operations and Subsequent Events"). As a result of this, the directors at that time no longer had full control over the running of the company and there was a subsequent loss of key staff.
- The company entered into a Deed of Company Arrangement ("DOCA") pursuant to the Corporations Act 2001 as approved at a Creditors Meeting on 24 March 2011.

The administration of the company resulted in the books, records and in particular, the underlying source documents including sales invoices, receivables listings, payables listings, fixed asset schedules and other critical documents being transferred to the Administrator.

The Directors have been able to obtain this information from the Administrator and as a result of these and the other events described above, the Directors have been able to satisfy themselves as to the completeness of the financial information included in this financial report.

Review of Operations and Subsequent Events

The principal activities of the Group were rubber recycling and manufacturing to convert used rubber tyres into commercially attractive surfacing, moulded and granule products for a wide range of industries in both domestic and international markets.

On 17 February 2011, a creditor appointed David Ross, Richard Albarran and Blair Pleash of Hall Chadwick Chartered Accountants as Joint and Several Administrators of the Company, pursuant to section 436C of the Corporations Act 2001. The securities of the Company were suspended from official quotation on the Official List of the ASX.

On 24 March 2011, a meeting of the Company's Creditors was convened pursuant to Section 439A of the Corporations Act 2001 to consider, amongst other matters, the execution of a Deed of Company Arrangement (DOCA) to reconstruct and recapitalise the Company. At the meeting the following resolutions were carried;

- The shareholders of Reclaim Industries Limited ratify the issue of 12,500,000 shares at \$0.02 per share, previously issued to Mr Jiandong Wang on 31 December 2010 in accordance with the term sheet dated 23 December 2010.
- The Company's securities be consolidated on a 1:5 basis resulting in a reduction of the number of shares on issue from 113,597,454 to 22,718,964 fully paid ordinary shares.
- The capital of the Company be reduced by applying a portion of the accumulated losses of the Company (later determined to be \$8,291,476) against the share capital of the Company which is considered permanently lost.
- The Company approves the issue of 12,280,509 fully paid up ordinary shares (post consolidation) for nil consideration to Mr Richard Albarran, Mr David Ross and Mr Blair Pleash in their capacities as Deed Administrators of the DOCA for the benefit of creditors.
- The Company approves the issue of 120,000,000 shares arising from the conversion of the convertible notes issued by the Company to Trident Capital Pty Ltd or its nominees in consideration for \$600,000, with a conversion rate of 1 share for every \$0.005 of the note amounts (post consolidation).
- The Company approves the issue of 225,000,000 fully paid up ordinary shares (post consolidation) by means of a public offer at one cent per share to raise \$2,250,000 under a prospectus.
- The Company approves the right of the Directors to participate in the Public issue.
- Such other resolutions as may be reasonably necessary to implement the reconstruction and recapitalisation proposal.

At the meeting, the Creditors resolved that the Company should enter into a DOCA and the DOCA was subsequently executed on 14 April 2011 between the Administrators and Trident Capital Pty Ltd. The DOCA released and discharged Reclaim Industries Limited of all claims by Creditors.

Simultaneously on 14 April 2011, the Administrators also executed a Creditors' Trust Deed to transfer and hold all the assets and liabilities (excluding some minor assets) of the Company prior to administration. The Creditors appointed David Ross, Richard Albarran and Blair Pleash of Hall Chadwick Chartered Accountants as Deed Administrators of the Creditors' Trust. This subsequently resulted in the Company's balance sheet including only minor intangible assets and trade payable balances.

On 19 May 2011, an Asset Sale Agreement (ASA) was completed between Reclaim Industries Limited (Subject to DOCA) and Carbon Polymers Ltd, where Carbon Polymers Ltd paid the Deed Administrators \$925,000 under the ASA for:

- various stock in trade, unencumbered assets and equity in encumbered assets owned by the Company;
- the Deed Administrators to assist in assigning the lease of any of the Company's premises that remained on foot at the date of the ASA or assist with new leases to be entered by Carbon Polymers Ltd; and
- the Deed Administrators to assist in assigning the lease of any of the Company's leased equipment that remained on foot at the date of the ASA or assist with arranging purchase of such equipment by Carbon Polymers Ltd.

The Company retained the following assets under the ASA:

- any encumbered assets;
- all trade debtors;
- all legal claims and causes of actions held by the Company;
- the whole tyre export business;
- the Ag-float products and business;
- the "Reclaim Industries" name;
- specific environmental licences; and
- the Crown III Rubber brand.

Review of Operations and Subsequent Events (continued)

The funds received from the ASA became part of the Administration fund and were transferred to the Creditors Trust for the benefit of the Creditors.

On 13 March 2012 Mr John Crosby resigned as director of the Company. Mr Stephen Hewitt-Dutton, Mr KC Ong and Mr Bruce Franzen were appointed directors and Ms Paige Exley was appointed company secretary of the Company by the Administrators.

On 17 March 2012, the wholly owned subsidiary Playsafe Australia Pty Ltd (ACN 098 590562) was deregistered.

On 12 April 2012 Ms Jennifer King resigned as director of the Company.

On 14 April 2012, the wholly owned subsidiary Reclaim Collections Pty Ltd (ACN 122 832 482) was deregistered.

On 31 May 2012, the Company issued a Prospectus for the purpose of issuing:

- 225,000,000 Shares at an issue price of \$0.01 per Share to raise \$2,250,000
- 12,280,509 Shares to the Deed Administrators; and
- 120,000,000 Shares to the note holders.

On 20 June 2012, a general meeting of the shareholders of Reclaim Industries Limited was held to consider the resolutions proposed under the DOCA. At the meeting the following resolutions were approved by shareholders;

- The Company's securities be consolidated on a 1:5 basis resulting in a reduction of the number of shares on issue.
- The capital of the Company be reduced by an amount of \$8,291,476 by applying a portion of the accumulated losses of the Company against the share capital of the Company which is considered permanently lost.
- The Company approves the issue of 120,000,000 shares arising from the conversion of the convertible notes issued by the Company in consideration for \$600,000 raised from related and non-related parties including 2 directors Mr KC Ong and Mr Stephen Hewitt-Dutton, with a conversion rate of 1 share for every \$0.005 of the note amounts (post consolidation).
- The Company approves the issue of 225,000,000 fully paid ordinary shares (post consolidation) by means of a public offer at one cent per share to raise \$2,250,000 under a prospectus.
- The Company approves the issue of 12,280,509 fully paid up ordinary shares (post consolidation) for nil consideration to Mr Richard Albarran, Mr David Ross and Mr Blair Pleash in their capacities as Deed Administrators of the DOCA for the benefit of the creditors.
- The shareholders of Reclaim Industries Ltd ratify the issue of 12,500,000 shares at \$0.02 per share, previously issued to Mr Jiandong Wang on 31 December 2010 in accordance with the term sheet dated 23 December 2010.
- The shareholders approve the right of the Directors to participate in the Public issue.
- Shareholders gave approval for the Company to adopt a new Constitution which became effective on 20 June 2012.

On 29 June 2012, the Company's securities were consolidated on a 1:5 basis, resulting in a reduction of the number of shares on issue, from 113,597,454 to 22,718,964 fully paid ordinary shares.

On 31 August 2012, the Company issued a Supplementary Prospectus to extend:

- the closing date of the Offers to 31 October 2012
- the period for admission to quotation of Shares to 3 months from the date of the Supplementary Prospectus
- the period to raise the Minimum Subscription under the Public Offer to 4 months from the date of the Supplementary Prospectus

Subsequent to year end, the Prospectus has been fully subscribed, with \$2,250,000 of funds being received prior to the financial report being issued.

On 7 November 2012, Ms Paige Exley resigned as Company Secretary, and Ms Deborah Ho was appointed as Company Secretary.

Future Developments

The Company is now seeking reinstatement on the Official List of the ASX.

On reinstatement to the ASX, it is proposed to utilise the funds raised under the prospectus, after the payment of all the costs of the recapitalisation including payments and share issues for the benefit of Creditors under the DOCA, towards conducting a review of the assets it has retained for the purpose of evaluating the commercial viability of each of the following :

- the business of tyre collection for use in production, export or for use by the Ag-float business;
- exporting tyres and tyre products, focusing on developing those products that markets require whilst also attracting appropriate margins; and
- the Ag-float business, utilising recycled tyres as an evaporation control device , limiting the amount of wind and sunlight to the surface of dam water.

Going Concern

The Company has historically recorded operating losses and on 17 February 2011 it was placed in Administration by a creditor resulting in the securities of the Company being suspended from official quotation on the Official List of the ASX.

This also resulted in a meeting of creditors and the subsequent execution of a DOCA between the Administrators and Trident Capital Pty Ltd on 14 April 2011. On this date, the Administrators also executed a Creditors' Trust Deed to transfer and hold all the assets and liabilities (excluding some minor assets) of the Company prior to administration. On 19 May 2011, an Asset Sale Agreement (ASA) was completed between Reclaim Industries Limited (Subject to Deed of Company Arrangement) and Carbon Polymers Ltd, where Carbon Polymers Ltd paid the Deed Administrators \$925,000 under the ASA for all assets owned by the Company excluding the following assets:

- any encumbered assets;
- all trade debtors;
- all legal claims and causes of actions held by the Company;
- the whole tyre export business;
- the Ag-float products and business;
- the "Reclaim Industries" name;
- specific environmental licences; and
- the Crown III Rubber brand.

The funds received from the ASA became part of the Administration fund and were transferred to the Creditors Trust for the benefit of the Creditors.

Notwithstanding the poor trading history of the company and consolidated entity, the Directors are of the opinion that the Company is a going concern and thus the financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In forming this opinion the directors have taken into account that:

1. the Company has successfully:
 - raised \$2,250,000 through a share issue;
 - raised \$600,000 through the issuance of convertible notes.

Successful Capital Raising

The Company issued a Prospectus on 31 May 2012, for the purpose of issuing:

- 225,000,000 Shares at an issue price of \$0.01 per Share to raise \$2,250,000;
- 12,280,509 Shares to the Deed Administrators; and
- 120,000,000 Shares to the convertible note holders.

The Prospectus has since been fully subscribed, with \$2,250,000 of funds being received prior to the financial report being issued. The Directors expect this amount will be sufficient to enable the Company to pay the costs of recapitalisation (including payments and share issues for the benefit of Creditors under the DOCA), and to fund the costs of evaluating the commercial viability of each of the following :

- the business of tyre collection for use in production, export or for use by the Ag-float business;
- exporting tyres and tyre products, focusing on developing those products that markets require whilst also attracting appropriate margins; and
- the Ag-float business, utilising recycled tyres as an evaporation control device , limiting the amount of wind and sunlight to the surface of dam water.

Issuance of convertible notes

The convertible notes were issued in two tranches:

- Tranche 1 (providing \$250,000) was issued in March 2012; and
- Tranche 2 (providing \$350,000) was issued in April 2012.

All cash relating to these convertible notes was received at the date of issue of these financial statements.

2. the Directors confidence that the Company will be released and discharged of all claims (liabilities) by Creditors through satisfaction of the outstanding conditions of the DOCA.

Going Concern (continued)

Satisfaction of conditions in the DOCA

The creditors of the company entered into a DOCA. The DOCA has several conditions attached to it. The following condition has as at the date of this report not been executed:

- Deed Administrators to pay the Administration Fund to the Creditors' Trust

3. The Company will obtain requoteation on the ASX.

Requoteation with the ASX

In order for the Company to obtain requoteation with the ASX the following conditions must be satisfied:

1. Confirmation that the Deed of Company Arrangement has been fully effectuated and the Company is not subject to any other forms of external administration.
 2. Confirmation of completion of the consolidation of capital.
 3. Confirmation of completion of the proposed proponent and public capital raising.
 4. Confirmation that the Company can demonstrate to ASX that it will have a minimum of \$1,000,000 in cash, net of all liabilities, at the date of reinstatement.
 5. Lodgement of all outstanding Appendix 3B's with ASX for issues of new securities.
 6. Provision of the following documents, in a form suitable for release to the market:
 6. 1 A statement setting out the names of the 20 largest holders of each class of securities to be quoted, including the number and percentage of each class of securities held by those holders.
 6. 2 A distribution schedule of the numbers of holders in each class of security to be quoted in the form contained in appendix 1A, paragraph 48.
 6. 3 A statement outlining the Company's capital structure.
 6. 4 An updated pro forma balance sheet based on actual funds raised under the capital raising.
 6. 5 An updated statement of commitments based on actual funds raised under the capital raising.
 6. 6 A consolidated activities report setting out the proposed business strategy for the Company.
 6. 7 A statement by the Company that it is compliance with the listing rules, and in particular listing rule 3.1.
 7. Confirmation of the responsible person for the purposes of listing rule 1.1 condition 12.
 8. The Company demonstrating compliance with listing rules 12.1 and 12.2 to the satisfaction of the ASX.
 9. Lodgement of any outstanding reports (other than quarterly reports), for the period since the Company's securities were suspended and any other outstanding documents required by listing rule 17.5.
 10. Payment of any other fees applicable and outstanding. The Company's outstanding fees will be advised in due course.
 11. Provision of any other information required or requested by ASX.
4. the funds described in 1. above will be sufficient to finance operations for a period no less than twelve months from the date of signing this directors' report.

In the event that the Company is not able to obtain requoteation with the ASX, the Company would be required to repay the amount raised from the above capital raising. As at the date of signing this financial report, all conditions other than condition 9 have been satisfied.

In the event that the above initiatives are unsuccessful, in particular the satisfaction of the outstanding conditions of the DOCA and the Company's requoteation with the ASX, there is significant uncertainty whether the Company and Consolidated Entity will be able to continue as going concerns, and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial report does not include any adjustments relating to the recoverability and classification of the asset amounts or amounts and classification of liabilities that might be necessary should the Company and Consolidated Entity not continue as going concerns.

Dividends

No dividend has been proposed or paid during the period.

Auditor's independence declaration

The auditor's independence declaration is included on page 6 of the half-year financial report.

Signed in accordance with a resolution of directors made pursuant to s.306 (3) of the *Corporations Act 2001*.

On behalf of the Directors



Stephen Hewitt-Dutton

Chairman

Perth, 28 November 2012



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The Board of Directors
Reclaim Industries Limited
Level 24
44 St George's Terrace
PERTH WA 6000

28 November 2012

Dear Board Members

Reclaim Industries Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Reclaim Industries Limited.

As lead audit partner for the review of the financial statements of Reclaim Industries Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Stephen T Harvey
Partner
Chartered Accountants

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Independent Auditor's Review Report to the members of Reclaim Industries Limited

We have reviewed the accompanying half-year financial report of Reclaim Industries Limited, which comprises the condensed statement of financial position as at 31 December 2011, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 21.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Reclaim Industries Limited's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Reclaim Industries Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Reclaim Industries Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Deloitte

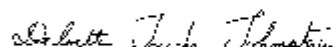
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Reclaim Industries Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our conclusion, we draw attention to Note 2 in the financial report which describes that the consolidated entity has entered into a deed of company arrangement and the conditions of that deed that need to be met including the need for a relisting of the Company on the ASX. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



DELOITTE TOUCHE TOHMATSU



Stephen T Harvey
Partner
Chartered Accountants
Adelaide, 28 November 2012

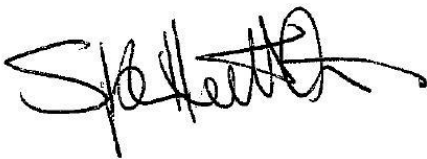
Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'S Hewitt-Dutton', with a stylized flourish at the end.

Stephen Hewitt-Dutton

Chairman

Perth, 28 November 2012

**Condensed consolidated statement of comprehensive income
for the half-year ended 31 December 2011**

	Note	Consolidated	
		Half-year ended	
		31 Dec 2011	31 Dec 2010
		\$	\$
Continuing operations			
Revenue		-	6,455,995
Other income		-	23,001
Expenses			
Cost of sales, raw materials and consumables used		-	(1,052,815)
Employee related costs		-	(3,138,511)
Depreciation and amortisation expense		(3,762)	(301,758)
Freight		-	(334,346)
External contractors' costs		-	(607,232)
Equipment rental		-	(113,086)
Travel and related expenses		-	(135,076)
Repairs and maintenance		-	(229,671)
Rent		-	(374,306)
Finance costs		-	(146,990)
Other expenses		(37,357)	(787,505)
Loss before tax		(41,119)	(742,300)
Income tax expense		-	-
Loss for the period		(41,119)	(742,300)
Other comprehensive income		-	-
Total comprehensive loss for the period		(41,119)	(742,300)
Attributable to:			
Equity holders of the parent		(41,119)	(742,300)
Non-controlling interest		-	-
		(41,119)	(742,300)
Loss per share			
From continuing operations:			
Basic (cents per share)		(0.04) cents	(0.73) cents
Diluted (cents per share)		(0.04) cents	(0.72) cents

Notes to the condensed consolidated financial statements are included on pages 17 to 21.

**Condensed consolidated statement of financial position
as at 31 December 2011**

	Note	Consolidated	
		31 Dec 2011 \$	30 June 2011 \$
Current assets			
Cash and cash equivalents		100	100
Trade and other receivables		7,969	4,234
Total current assets		8,069	4,334
Non-current assets			
Intangibles		1,234	4,996
Total non-current assets		1,234	4,996
Total assets		9,303	9,330
Current liabilities			
Trade and other payables		82,630	41,538
Borrowings		250,000	-
Total current liabilities		332,630	41,538
Non-current liabilities			
Borrowings		-	250,000
Total non-current liabilities		-	250,000
Total liabilities		332,630	291,538
Net assets		(323,327)	(282,208)
Equity			
Issued capital		8,291,476	8,291,476
Accumulated losses		(8,614,803)	(8,573,684)
		(323,327)	(282,208)
Non-controlling interest		-	-
Total equity		(323,327)	(282,208)

Notes to the condensed consolidated financial statements are included on pages 17 to 21.

**Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2011**

	Issued capital \$	Reserves - controlling employee share \$	Reserves - non- interest buyout \$	Accumulated losses \$	Attributable to the owners of the parent \$	Non- controlling interest \$	Total \$
Balance as at 1 July 2010	8,041,476	190,892	(100,051)	(6,803,640)	1,328,677	-	1,328,677
Loss for the period	-	-	-	(742,300)	(742,300)	-	(742,300)
Total comprehensive income for the period	-	-	-	(742,300)	(742,300)	-	(742,300)
Share placement	250,000	-	-	-	250,000	-	250,000
Share issue costs	-	-	-	-	-	-	-
Balance as at 31 December 2010	8,291,476	190,892	(100,051)	(7,545,940)	836,377	-	836,377

	Issued capital \$	Reserves - controlling employee share \$	Reserves - non- interest buyout \$	Accumulated losses \$	Attributable to the owners of the parent \$	Non- controlling interest \$	Total \$
Balance as at 1 July 2011	8,291,476	-	-	(8,573,684)	(282,208)	-	(282,208)
Loss for the period	-	-	-	(41,119)	(41,119)	-	(41,119)
Total comprehensive loss for the period	-	-	-	(41,119)	(41,119)	-	(41,119)
Share placement	-	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-	-
Balance as at 31 December 2011	8,291,476	-	-	(8,614,803)	(323,327)	-	(323,327)

Notes to the condensed consolidated financial statements are included on pages 17 to 21.

**Condensed consolidated statement of cash flows
for the half-year ended 31 December 2011**

	Note	Consolidated	
		Half-year ended	
		31 Dec 2011	31 Dec 2010
		\$	\$
Cash flows from operating activities			
Receipts from customers		-	6,235,600
Payments to suppliers and employees		-	(6,082,877)
Interest and other costs of finance paid		-	(146,990)
Other income		-	21,035
Income tax refund		-	-
Net cash provided by/(used) in operating activities		-	26,768
Cash flows from investing activities			
Payment for equity investments		-	-
Proceeds from government grant		-	-
Payment for security deposit		-	(310)
Interest received		-	1,966
Payment for property, plant and equipment		-	(21,261)
Proceeds from sale of property, plant and equipment		-	20,136
Net cash used in investing activities		-	531
Cash flows from financing activities			
Proceeds from issue of shares		-	250,000
Payment for share issue costs		-	-
Proceeds from borrowings		-	6,148,056
Repayment of borrowings		-	(6,496,420)
Net cash provided by/(used) in financing activities		-	(98,364)
Net increase/(decrease) in cash and cash equivalents		-	(71,065)
Cash and cash equivalents at the beginning of the period		100	169,799
Cash and cash equivalents at the end of the period		100	98,734

Notes to the condensed consolidated financial statements are included on pages 17 to 21.

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2011 annual financial report for the year ended 30 June 2011.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

There are no new and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group.

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. The new and revised Standards and Interpretations has not had a material impact and not resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

Completeness of Financial Records

The financial report has been prepared after consideration and evaluation of the information available, having regard to the following events:

- On 17 February 2011, the company was placed into administration by a creditor. As a result of this, the directors at that time no longer had full control over the running of the company and there was a subsequent loss of key staff.
- The company entered into a Deed of Company Arrangement ("DOCA") pursuant to the Corporations Act 2001 as approved at a Creditors Meeting on 24 March 2011. This resulted in:
 - The Administrators executing a Creditors' Trust Deed on 14 April 2011 to transfer and hold all the assets and liabilities (excluding some minor assets) of the Company prior to administration;
 - The execution of an Asset Sale Agreement between Reclaim Industries Limited (Subject to Deed of Company Arrangement) and Carbon Polymers Ltd for \$925,000;
 - The unsecured creditors agreeing to receive a final dividend in full satisfaction of amounts owing on completion of the reconstruction.

The administration of the company resulted in the books, records and in particular, the underlying source documents including sales invoices, receivables listings, payables listings, fixed asset schedules and other critical documents being transferred to the Administrator.

The Directors have been able to obtain this information from the Administrator and as a result of these and the other events described above, the Directors have been able to satisfy themselves as to the completeness of the financial information included in this financial report.

2. Going Concern

The Company has historically recorded operating losses and on 17 February 2011 it was placed in Administration by a creditor resulting in the securities of the Company being suspended from official quotation on the Official List of the ASX.

This also resulted in a meeting of creditors and the subsequent execution of a DOCA between the Administrators and Trident Capital Pty Ltd on 14 April 2011. On this date, the Administrators also executed a Creditors' Trust Deed to transfer and hold all the assets and liabilities (excluding some minor assets) of the Company prior to administration. On 19 May 2011, an Asset Sale Agreement (ASA) was completed between Reclaim Industries Limited (Subject to Deed of Company Arrangement) and Carbon Polymers Ltd, where Carbon Polymers Ltd paid the Deed Administrators \$925,000 under the ASA for all assets owned by the Company excluding the following assets:

- any encumbered assets;
- all trade debtors;
- all legal claims and causes of actions held by the Company;
- the whole tyre export business;
- the Ag-float products and business;
- the "Reclaim Industries" name;

Going Concern (continued)

- specific environmental licences; and
- the Crown III Rubber brand.

The funds received from the ASA became part of the Administration fund and were transferred to the Creditors Trust for the benefit of the Creditors.

Notwithstanding the poor trading history of the company and consolidated entity, the Directors are of the opinion that the Company is a going concern and thus the financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In forming this opinion the directors have taken into account that:

1. the Company has successfully:
 - raised \$2,250,000 through a share issue;
 - raised \$600,000 through the issuance of convertible notes.

Successful Capital Raising

The Company issued a Prospectus on 31 May 2012, for the purpose of issuing:

- 225,000,000 Shares at an issue price of \$0.01 per Share to raise \$2,250,000;
- 12,280,509 Shares to the Deed Administrators; and
- 120,000,000 Shares to the convertible note holders.

The Prospectus has since been fully subscribed, with \$2,250,000 of funds being received prior to the financial report being issued. The Directors expect this amount will be sufficient to enable the Company to pay the costs of recapitalisation (including payments and share issues for the benefit of Creditors under the DOCA), and to fund the costs of evaluating the commercial viability of each of the following :

- the business of tyre collection for use in production, export or for use by the Ag-float business;
- exporting tyres and tyre products, focusing on developing those products that markets require whilst also attracting appropriate margins; and
- the Ag-float business, utilising recycled tyres as an evaporation control device , limiting the amount of wind and sunlight to the surface of dam water.

Issuance of convertible notes

The convertible notes were issued in two tranches:

- Tranche 1 (providing \$250,000) was issued in March 2012; and
- Tranche 2 (providing \$350,000) was issued in April 2012.

All cash relating to these convertible notes was received at the date of issue of these financial statements.

2. the Directors confidence that the Company will be released and discharged of all claims (liabilities) by Creditors through satisfaction of the outstanding conditions of the DOCA.

Satisfaction of conditions in the DOCA

The creditors of the company entered into a DOCA. The DOCA has several conditions attached to it. The following condition has as at the date of this report not been executed:

- Deed Administrators to pay the Administration Fund to the Creditors' Trust

3. The Company will obtain requoteation on the ASX.

Requoteation with the ASX

In order for the Company to obtain requoteation with the ASX the following conditions must be satisfied:

1. Confirmation that the Deed of Company Arrangement has been fully effectuated and the Company is not subject to any other forms of external administration.
2. Confirmation of completion of the consolidation of capital.
3. Confirmation of completion of the proposed proponent and public capital raising.
4. Confirmation that the Company can demonstrate to ASX that it will have a minimum of \$1,000,000 in cash, net of all liabilities, at the date of reinstatement.

Reclaim Industries Limited

Notes to the condensed consolidated financial statements

5. Lodgement of all outstanding Appendix 3B's with ASX for issues of new securities.
 6. Provision of the following documents, in a form suitable for release to the market:
 - 6.1 A statement setting out the names of the 20 largest holders of each class of securities to be quoted, including the number and percentage of each class of securities held by those holders.
 - 6.2 A distribution schedule of the numbers of holders in each class of security to be quoted in the form contained in appendix 1A, paragraph 48.
 - 6.3 A statement outlining the Company's capital structure.
 - 6.4 An updated pro forma balance sheet based on actual funds raised under the capital raising.
 - 6.5 An updated statement of commitments based on actual funds raised under the capital raising.
 - 6.6 A consolidated activities report setting out the proposed business strategy for the Company.
 - 6.7 A statement by the Company that it is compliance with the listing rules, and in particular listing rule 3.1.
 7. Confirmation of the responsible person for the purposes of listing rule 1.1 condition 12.
 8. The Company demonstrating compliance with listing rules 12.1 and 12.2 to the satisfaction of the ASX.
 9. Lodgement of any outstanding reports (other than quarterly reports), for the period since the Company's securities were suspended and any other outstanding documents required by listing rule 17.5.
 10. Payment of any other fees applicable and outstanding. The Company's outstanding fees will be advised in due course.
 11. Provision of any other information required or requested by ASX.
4. the funds described in 1. above will be sufficient to finance operations for a period no less than twelve months from the date of signing this directors' report.

In the event that the Company is not able to obtain quotation with the ASX, the Company would be required to repay the amount raised from the above capital raising. As at the date of signing this financial report, all conditions other than condition 9 have been satisfied.

In the event that the above initiatives are unsuccessful, in particular the satisfaction of the outstanding conditions of the DOCA and the Company's quotation with the ASX, there is significant uncertainty whether the Company and Consolidated Entity will be able to continue as going concerns, and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial report does not include any adjustments relating to the recoverability and classification of the asset amounts or amounts and classification of liabilities that might be necessary should the Company and Consolidated Entity not continue as going concerns.

3. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Board of Directors for the purposes of resource allocation and assessment of performance clearly separates the Group into three distinct reportable segments:

- Collections
- Manufacturing
- Sales

Collections is the pickup of tyres from customers. Manufacturing is the processing of tyres into rubber granule or baled tyres. Sales is defined as the laying of the rubber soft-fall surfaces or selling of rubber crumb and associated products to wholesale markets.

Information regarding these segments is presented below. The accounting policies of the new reportable segments are the same as the Group's accounting policies.

Reclaim Industries Limited

Notes to the condensed consolidated financial statements

3. Segment information (continued)

The following is an analysis of the Group's revenue and results by reportable operating segment for the periods under review:

	Segment Revenue		Segment Result	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
	\$	\$	\$	\$
Collections	-	1,562,445	-	349,799
Manufacturing	-	1,137,473	-	(1,798,436)
Sales	-	4,843,791	-	1,749,863
Intersegment eliminations	-	(1,087,714)	-	-
Total for continuing operations	-	6,455,995	-	301,226
Investment revenue			-	15,331
Central administration costs			(41,119)	(919,537)
Finance costs			-	(146,990)
Loss before tax (continuing operations)			(41,119)	(742,300)
Income tax expense			-	-
Profit after tax			(41,119)	(742,300)

Revenue reported above represents revenue generated from external customers and intersegment sales.

Segment result represents the result for each segment without allocation of central administration costs, finance costs and income tax expense. This is the measure reported to the Board of Directors for the purposes of resource allocation and assessment of resource performance.

There was no material change in assets from the amounts disclosed in the last annual financial report, as such, segment assets have not been disclosed.

4. Issuances, repurchases and repayments of equity securities

There were no movements in share options by the company during the half-year reporting period.

5. Results for the period

Reclaim Industries Limited generated a loss after tax for the half year ended 31 December 2011 of \$41,119 (2010: loss \$742,300). This loss was the result of being in Administration since 17 February 2011.

6. Changes to consolidated group

There have been no changes to the Consolidated Group during the reporting period.

7. Change in accounting estimates

There has been no change in accounting estimates since the last annual reporting date.

8. Contingencies and commitments

There has been no change in contingent liabilities since the last annual reporting date.

9. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report.

Reclaim Industries Limited

Notes to the condensed consolidated financial statements

10. Subsequent events

13 March 2012 - resignation of Mr John Crosby as Director of the Company and appointments of Mr Stephen Hewitt-Dutton, Mr KC Ong and Mr Bruce Franzen on 13 March 2012.

17 March 2012 - the wholly owned subsidiary Playsafe Australia Pty Ltd (ACN 098 590562) was deregistered.

12 April 2012 - resignation of Ms Jennifer King from the Company.

14 April 2012 - the wholly owned subsidiary Reclaim Collections Pty Ltd (ACN 122 832 482) was deregistered.

On 31 May 2012, the Company issued a Prospectus for the purpose of issuing:

- 225,000,000 Shares at an issue price of \$0.01 per Share to raise \$2,250,000
- 12,280,509 Shares to the Deed Administrators; and
- 120,000,000 Shares to the note holders.

On 31 August 2012, the Company issued a Supplementary Prospectus to extend:

- the closing date of the Offers to 31 October 2012
- the period for admission to quotation of Shares to 3 months from the date of the Supplementary Prospectus
- the period to raise the Minimum Subscription under the Public Offer to 4 months from the date of the Supplementary Prospectus

Subsequent to year end, the Prospectus has been fully subscribed, with \$2,250,000 of funds being received prior to the financial report being issued.

On 7 November 2012, Ms Paige Exley resigned as Company Secretary, and Ms Deborah Ho was appointed as Company Secretary.

No other matter or circumstance has arisen since 31 December 2011 that has significantly affected or may affect the consolidated entity's operations, the results of those operations or the state of affairs in future financial years.